

**COMMONWEALTH OF KENTUCKY
ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
OFFICE OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2005-AH- 019**

IN THE MATTER OF:
CHALLENGE FINANCIAL INVESTORS CORP.

SETTLEMENT AGREEMENT

BACKGROUND AND FACTUAL FINDINGS

1. Challenge Financial Investors Corp. ("Challenge") is licensed by the Office of Financial Institutions ("OFI") to conduct the business of a mortgage loan company at various locations throughout the Commonwealth of Kentucky including a branch office located at 1850 S. Highway 53, Lagrange, Kentucky, under mortgage loan company license number 8394.
2. On April 4, 2005, an examination was conducted into the condition, workings and affairs of Challenge in order to determine whether there were any violations of law or any unauthorized unsafe practices or any failure to keep or have correct any required books and records.
3. In the course of the examination it was discovered that Challenge had two individuals originating mortgage loans on Kentucky properties that had failed to register with OFI.
4. As of July 1, 2004, no mortgage loan broker and no loan officer may originate mortgage loans in Kentucky unless they are registered with OFI and have been issued a certificate of registration.
5. Challenge's employment of unregistered mortgage loan originators is a violation

of KRS 294.255(1).

AGREEMENT AND ORDER

OFI and Challenge, in the interest of economically and efficiently resolving the issues raised in the foregoing Background and Factual Findings, agree as follows:

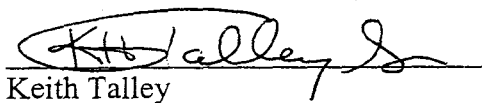
1. Challenge agrees to terminate its branch office located at 1850 S. Highway 53, Lagrange, Kentucky 40031, effective immediately.

2. Challenge agrees to raise the amount of its current surety bond from one hundred thousand dollars (\$100,000) to two hundred thousand dollars (\$200,000) and to provide proof of the new amount to OFI no later than thirty days from the date of entry of this agreement.

3. Challenge agrees to pay a fine in the amount of two thousand (\$2,000) dollars.

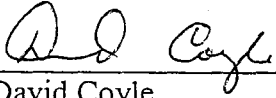
2. A check in the amount of the agreed upon fine shall be made payable to "Kentucky State Treasurer" and mailed to the Office of Financial Institutions, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601.

IT IS SO ORDERED on this the 27th day of July, 2005.


Keith Talley
Acting Executive Director

Consented to:

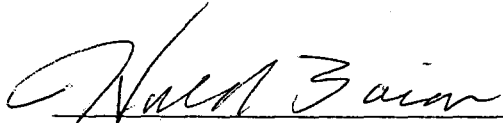
This 11th day of July, 2005



David Coyle,
Director
Division of Financial Institutions
Office of Financial Institutions

Consented to:

This 21st day of JULY, 2005



Challenge Financial Investors Corp.
By: HAROLD BARIAN
Office: PRESIDENT

Consented to:

This 21st day of JULY, 2005



Bill Weyburne
Compliance Director
Challenge Financial Investors Corp.